

RECEIVED & INSPECTED

MAY 09 2003

FCC - MAILROOM

DOCKET FILE COPY ORIGINAL

May 7, 2003

Docket Number: 96-146

Before putting additional restrictions on the Pay Per Call (PPC), it would be much better to improve the current regulations. For our industry and the consumers who want to use PPC services legitimately, the biggest problems are: 1) the high cost of 900 transport 2) consumer fraud, and 3) overall charges to the customer that are not restricted and therefore generate high bills.

1) Although the FCC has required the portability of 800 numbers and in some cases local phone numbers, they have never required portability for 900 numbers. As a result 900 transport rates range from 25 cents per minute to as high as 42 cents per minute. This compares to 3 cents to 8 cents per minute for 800 service. When this is coupled with consumer fraud rates of 30% and more, it means that consumers who want and pay for the PPC service are paying transport rates of at least 32.5 cents to 54.6 cents per minute. This high cost of transport pushes the PPC price to the consumer ever higher and results in even more bad debt.

2) The lack of collection requirements for 900 services has resulted in widespread consumer fraud. The "first-time forgiveness" policy has been severely abused by both consumers and by the Local Exchange Carriers (LEC's). Consumers have been trained to think that they do not have to pay for their 900 calls. This is reinforced by the billing inquiry centers for the LEC's, where the first thing that is usually asked is whether the caller would like a credit for their 900 charges. The LEC's don't even pretend to limit the credits to a "one-time forgiveness", and since chargebacks are not reported promptly, sometimes consumers receive three to six months of "free" service before the information provider has an opportunity to block the caller. This has even gotten to the point where some consumers have gotten a credit from the billing company (either a third party billing company or a long distance carrier) and then they call the LEC and receive a second credit for the same bill. These consumers are actually making money by committing 900-service fraud. Secondary collection is costly and creates consumer complaints since the consumer has been trained that they don't have to pay their 900 bills. As a result of this fraud the losses are carried by the honest consumers, and the associated problems have created severe issues for both the long distance carriers and information providers. This fraud also limits the services that are offered over 900 lines as carriers withdraw from the 900 market and information providers are put out of business.

3) There are no thresholds on the amount that a consumer can spend on PPC services. Since neither the carriers nor the LEC's have any billing thresholds in place, that responsibility falls to the various service bureaus that host the applications that are offered by the information providers. The problem with this method is that consumer callers can only be restricted to calls that terminate in a specific service bureau and therefore the limit is really only effective if the callers reach their limits by calling the same program. Frequently consumers that are planning to move or to "skip" on their

No. of Copies rec'd  
List ABCDE

219

entire phone bill will run up thousands of dollars in PPC services by calling multiple 900 numbers.

As for the changes being proposed by the FCC, the requirements that all presubscription agreements (currently only those offered over toll-free service) will have to be executed in writing, direct remittance prepaid account, or debit, charge or calling card is contrary to the entire concept of 900 service. Consumers know that when they call a 900 service that they are going to incur premium rate billing. Those charges are fully disclosed in the preamble as required by TDDRA. Whether the consumer is purchasing a service that is completed during the call or extends over a period of time should make no difference as long as the rules of TDDRA are adhered to. Other requirements under the presubscription heading are that: 1) the agreements have to be executed by a "legally competent adult" 2) that the "presubscription document be separate or easily severable from any promotions or inducements" and 3) consumer must use "pre-existing credit, charge, or calling cards to obtain information services and that an actual card must have been delivered to the party. These requirements create serious problems in that;

1) How can anyone determine over the phone that the individual at the far end is a "legally competent adult". If consumers are willing to lie about making the calls, they are certainly willing to lie about their adult status, and what potential criteria could be used to determine competency.

2) If the PPC industry had to separate promotions or inducements from any presubscription document, then the industry would be subject to a restraint of trade that other payment methods and service offerings do not have to observe. Promotions and inducements are at times used on most products and services offered to the public i.e. "no down payment necessary", "no interest for one year", "free trial offer". As long as the promotion is clear and accurate and the rules of TDDRA are observed during the phone call, then the consumer should be well protected.

3) The idea that the consumer must use a pre-existing card and that the card must have been delivered prior to billing puts an unreasonable burden on both the consumer and the Information Provider. One of the main reasons there is demand for PPC services is that the consumer can get the information quickly, the transaction can be completed easily, and the billing method is convenient. If a pre-existing card is required then both the consumer and the information provider will lose many of the benefits of PPC services. Currently there are many dateline services that use 900 service as a method of billing for monthly access. The young adults that use these services frequently do not have credit cards, and if these regulations were put into effect, they would have a difficult time purchasing the service.


The FCC also requests comment on its tentative conclusion that "when a common carrier charges a telephone subscriber for a call to an interstate information service, any form of remuneration from that carrier" to an Information Provider is evidence that the call should fall under PPC definition and therefore offered exclusively through 900 numbers.

There is a long history in the telecommunications industry for providing commissions for calls generated from pay phones, hotels and motels, shared residences, etc. So a "commission" is not a good way to determine if a call is a pay per call service. In addition, if pricing is fully disclosed, the basic TDDRA rules are observed, and advertising is clear it would seem that consumers would benefit from receiving a service that is priced at or below standard carrier pricing for long distance. The reason that Information Providers are seeking alternative telephone service offerings is that the high cost of 900 transport and the high level of consumer fraud associated with 900 services forces them to seek out alternative calling patterns. If these issues were addressed there would be limited demand for alternative calling plans.

There are many benefits to consumers for using PPC services. They have quick access to a variety of information and entertainment services, and they can access these services on a pay-as-you-use basis. The consumers do not have to own a credit card to get access to the services, and if they do have a credit card they do not have to transmit it electronically and worry about the theft of their card information or their identity. The services are easy to use and as long as the basic rules of TDDRA observed the consumer is protected better than in any other industry. Is there any other industry where the purchaser does not have to pay their bill the first time they use the service?

The industry has proven that it cannot police itself, but if some of the larger issues are addressed it will dramatically reduce the effort of Information Providers to seek alternative calling plans. Some policies that would dramatically reduce problems in the industry would be: 1) Require the portability of 900 numbers. This would significantly reduce the price of 900 transport and thus reduce the financial incentive to use other numbering plans. 2) Require the LEC's to enforce the "first time forgiveness" program, and if a consumer requests a second credit then the consumer must agree to block their phone from 900 access. This will immediately impact the fraud from consumers who are not paying their bills for multiple months, and over time will discourage consumers from making calls for which they do not intend to pay. 3) Require the establishment of a national database that limits the overall charges that a consumer can incur in a month. This would have several benefits. It would protect the consumers from generating bills that could be financially damaging, it would also help limit consumer fraud, and it could be used as a method of limiting PPC charges no matter what number plan is used, and 4) Establish an FCC/Industry website for PPC complaints so that regulators, consumers, and information providers could see which programs are creating problems and take action to modify or eliminate those programs.

Northwest Nevada Telco  
John P. Lawless



2910 Mill Street  
Reno, NV 89434  
(775) 333-3600